

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

* * * * *

In the Matter of

THE APPLICATION OF CITY OF BARBOURVILLE,)
KENTUCKY, A CITY OF THE FOURTH CLASS, BY)
AND THROUGH ITS UTILITY COMMISSIONS, AND)
RICHLAND WATER DISTRICT, A PUBLIC UTILITY) CASE NO. 7696
AGENCY CREATED AND EXISTING PURSUANT TO)
THE PROVISIONS OF CHAPTER 74 OF KENTUCKY)
REVISED STATUTES, FOR THE SALE OF THE)
WATER DISTRICT TO THE CITY OF BARBOURVILLE)

O R D E R

Preface

On January 7, 1980, Richland Water District ("Seller") and the City of Barbourville ("Purchaser") filed with the Commission an application seeking approval of the sale and purchase of the Richland Water District in accordance with the terms of a contract dated June 7, 1979. The seller serves customers who reside within the area drained by the waters of Richland Creek, in Knox County, Kentucky, but outside the corporate limits of the City of Barbourville, Kentucky.

This matter was set for hearing at the Commission's offices in Frankfort, Kentucky, on January 25, 1980. All parties of interest were notified with the Consumer Protection Division of the Attorney General's Office being permitted to intervene in this matter. At the hearing certain requests for information were made by the staff. This information has now been received and the entire matter is now considered to be fully submitted for a final determination by this Commission.

Findings in This Matter

The Commission, after a review of the record and being fully advised is of the opinion and finds:

1. That on June 7, 1979, the seller and the purchaser entered into an agreement whereby the seller agrees to sell and the purchaser agrees to purchase the entire water system of the seller consisting of all materials, equipment, and improvements as set out and detailed in the Contract of Merger, but not limited to the items set out in the contract. Further that the purchaser will assume the indebtedness to United States of America, acting through the Farmers

Home Administration, United States Department of Agriculture of a total amount of One Hundred Eighteen Thousand Five Hundred (\$118,500) Dollars, with interest of five (5%) per cent per annum payable semi-annually on January First and July First of each year and evidenced by thirty-two (32) revenue bonds dated 1980 through the year 2011.

2. That the purchaser is ready, willing and able to provide for the operation and maintenance of the existing water system in the area set forth in the application.

3. That the sale of the Richland Water District does not adversely affect the public interest and should be approved.

4. That the purchaser will adopt the official rates being charged to the customers that are currently being served by the seller.

5. That the seller should file with this Commission the appropriate journal entries effecting the sale of the Richland Water District.

Orders in This Matter

The Commission, on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

HEREBY ORDERS that the City of Barboursville is hereby authorized to purchase the Richland Water District in accordance with the terms of sale as set forth in the Contract dated June 7, 1979, and attached hereto and made a part hereof as Appendix "A".

IT IS FURTHER ORDERED that the rates for water service shall remain the same as those approved by this Commission prior to the date of this Order.


IT IS FURTHER ORDERED that the Richland Water District shall file with the Commission the appropriate journal entries effecting the sale of the Richland Water District.

Done at Frankfort, Kentucky, this 19th day of February, 1980.

UTILITY REGULATORY COMMISSION


Chairman


Vice-Chairman


Commissioner

Attest:

DATED FEBRUARY 19, 1980

CONTRACT OF MERGER

This contract made and entered into this the 7th day of June 1979, by and between Richland Water District of P. O. Box 809, Barbourville, Kentucky 40906, a public utilities agency created pursuant to the provisions of the laws of the Commonwealth of Kentucky and presently acting by and through its chosen commissioners, Aubrey E. Chestnut, Jr., chairman, Kenneth Lay and Kenneth R. Jackson, of the first part and City of Barbourville, Kentucky, a city of the fourth class, acting by and through its utilities commission, presently composed of A. T. Corey, Chairman, W. S. Williams, secretary and treasurer and H. T. Marcum, and operating under the trade name of Barbourville Water and Electric Company of the second part.

WITNESSETH;

That for and in consideration of the assumption by second party of first party's indebtedness to United States of America, acting through the Farmers Home Administration, United States Department of Agriculture of a total amount of One Hundred Eighteen Thousand Five Hundred (\$118,500.00) Dollars, with interest of five (5%) per annum payable semi-annually on January first and July first of each year and evidenced by twenty two revenue bonds dated 1980 through the year 2011, listed on exhibit "A" to this contract, and subject to the conditions hereinafter set out, first party does hereby bargain, sell, release and transfer to second party its entire water system consisting of all its materials, equipment and improvements set out and detailed, but not limited to the items listed on exhibit "B" to this contract.

This contract is conditioned as follows:

(1) This sale or merger is not effect/^{ive} until it is approved by:

(a) United States of America, acting through the Farmer's Home Administration, United States Department of Agriculture.

(b) The City of Barbourville after forty-five days notice as set out in KRS 96.360.

(c) The Utilities Regulatory Commission as set out in KRS 74.361 etc.

(2) Second party obligates itself to furnish water to the present residents of the district now being served by first party as well as to such residents of the district in the future who demand and qualify for service.

(3) Second party obligates itself to keep in repair and properly maintain all water pipes, tanks and other equipment of the water system.

(4) Second party obligates itself to operate the water system hereby being acquired, in an efficient and business like manner and as a part of its own water system, with the present rates of first party prevailing.

(5) Second party does not obligate itself for any tort liability unless the occurrence happens after the date the system is acquired by it.

This the day and date above written.

Executed at a regular meeting of the Richland Water District on this the 30 day of May, 1979, as approved by the full commission.

Leanneth R. Dean
Secretary

L. E. Chumley
Chairman

Executed at a regular meeting of the City Council of the City of Barbourville on this the 7th day of June 1979, as approved by the full council.

Debbie Mills
City Clerk

Charles W. Buchanan
Mayor

G. T. Berry
Chairman, Board of Utilities

This contract prepared by Don A. Ward,
Don A. Ward
Attorney, 541 Sharp Gap Road, Barbourville, Kentucky 40906.

EXHIBIT "A" DATED FEBRUARY 19, 1980

Revenue Bonds and Interest to Farmers Home Administration
as follows:

<u>Bonds Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1980	\$1,500.00	\$5,925	\$7,425.
1981	1,500	5,775.	7,275
1982	2,000	5,700	7,700
1983	2,000	5,600	7,600
1984	2,000	5,500	7,500
1985	2,000	5,400	7,400
1986	2,000	5,300	7,300
1987	2,000	5,200	7,200
1988	2,500	5,100	7,600
1989	2,500	4,975	7,475
1990	2,500	4,850	7,350
1991	2,500	4,725	7,225
1992	3,000	4,600	7,600
1993	3,000	4,450	7,450
1994	3,000	4,300	7,300
1995	3,500	4,150	7,650
1996	3,500	3,975	7,475
1997	3,500	3,800	7,300
1998	4,000	3,625	7,625
1999	4,000	3,425	7,425
2000	4,500	3,225	7,725
2001	4,500	3,000	7,500
2002	5,000	2,775	7,775
2003	5,000	2,525	7,525
2004	5,500	2,275	7,775
2005	5,500	2,000	7,500
2006	5,500	1,725	7,225
2007	6,000	1,450	7,450
2008	6,000	1,150	7,150
2009	6,000	850	6,850
2010	6,500	550	7,050
2011	4,500	225	4,725

EXHIBIT "B" DATED FEBRUARY 19, 1980

The entire water system of the Richland Water District,
and including:

1. All pipe connections, tools, and other equipment and materials.
2. Pumping plant.
3. Transmission and distribution plant.
4. General plant.
5. Water pumps with houses and equipment.
6. Reservoirs, standpipes, mains and hydrants.
7. All land easements, land contracts, and real estate.
8. All accounts receivable.
9. All cash on hand.
10. All bank accounts, including revenue fund, operating fund, meter deposit fund, sinking fund and depreciation reserve fund.
11. All insurance coverage, including liability, workmen's compensation and fire.
12. All records of the System.